

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Deputy Director/Intelligence
SUBJECT: Review of Embassy Moscow Preliminary
Comments on the Soviet 1960 Economic
Plan
REFERENCE: Embtel 1270 dated 30 October 1959

1. This memorandum is for information only. It is in response to your request to [REDACTED] for an evaluation of the views expressed by Embassy Moscow in the referenced telegram.

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2. The Embassy is certainly correct in stating that the 1960 plan information cannot be used to determine "resource allocations" of GNP among consumption, investment and defense. However, the plan does provide a forward look at industrial and agricultural investment trends for the forthcoming year. In this respect, the plan data generally confirm our projected estimates.

3. We agree that the unprecedented early approval of an annual plan and State budget, two months in advance of the new year, attests to Khrushchev's success in his efforts to develop

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more efficient planning procedures under the economic reorganization.

4. While we agree with the Embassy that the Soviet claim of 4% overfulfillment in the 1959 industrial production goal is not supported by data on production increase for individual commodities, we differ as to the explanation offered. This Office, in its calculations of Soviet industrial production indexes, bases its aggregate indexes on our evaluations of the physical production data provided in official releases and on estimates made by specialists within the Office. Our preliminary calculations indicate that industrial output rose by 8-9% rather than the 11% claimed. We believe that a considerable part of the overstatement can be explained by new statistical reporting procedures adopted as a result of the economic reorganization.

5. The increase in consumers goods goals is not as puzzling as suggested in paragraph 4 of the Embassy telegram. Yasnov, Chairman of the Budget Commission of the Council of Nationalities of the Supreme Soviet, announced that his Commission had increased the planned output of consumer goods by an amount

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equivalent to all of 0.5 percent. In order to preserve a democratic facade, the Supreme Soviet frequently makes such minuscule adjustments in plans and budgets presented to it.

6. We would agree with the conclusion expressed regarding the ambitious nature of the 1960 labor productivity goal. The decision to place all industry on a 41-hour week in 1960 involves a two hour average weekly reduction within the next year; and if plan goals are to be achieved this action would raise the requirement for an increase in man-hour productivity to 10.5%. An annual increase in productivity of this magnitude is most unlikely of attainment. Future increases in labor productivity are largely dependent on success in the investment program for re-equipment. The engineering and management problems involved in this effort would not be visibly affected by the reforms in depreciation accounting mentioned in the telegram.

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